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TO: The Arizona Corporation Commission
FROM: American Solar Electric, Inc.
DATE: September 15, 2009
DOCKET No.: E-01575A-09-0429

American Solar Electric appreciates this opportunity to address the Corporation Commission regarding THE MATTER OF THE APPLICATION OF SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF THE PROPOSED 2010 REST PLAN (WHICH INCLUDES 2010 REST TARIFFS) AND THE NET METERING TARIFF.

American Solar Electric (American Solar) would like to express several concerns. First, it believes that this is the proper place to address concerns about the administration of Sulphur Springs Valley Electric Cooperative's (SSVEC's) SunWatts Residential and Commercial Rebate Program (SunWatts Program). Specifically, it would like to address SSVEC's recent announcement which indicated the SunWatts Program was out of funding for the remainder of 2009.

Second, a lack of adequate funding for distributed generation (DG) in 2009 calls into question SSVEC's ability to achieve compliance with the Renewable Energy Standard and Tariff (REST) requirement. American Solar believes that the proposed 2010 REST Implementation Plan (2010 Plan) lacks sufficient analysis in this respect.

Finally, SSVEC has included as part of its 2010 plan, a proposal for a Net Metering Program. While American Solar applauds SSVEC's initiative on this issue, it believes the proposed Net Metering Program can be greatly improved.

Background

At some point on or slightly before 10 September 2009, SSVEC posted on its website that the SunWatts Program was out of funding for 2009 (See Appendix 1). Despite the fact that American Solar representatives had been in continuous contact with SSVEC in the weeks leading up to 10 September, no prior indication was given that the SunWatts Program was reaching the limits of its funding. On 14 September SSVEC indicated to American Solar that it would no longer be giving out reservations for incentives for the remainder of 2009. Instead, it would be placing customers on a waiting list. Customers assigned to the waiting list would be granted reservations as additional REST surcharges were collected, on a first-come, first-served basis. SSVEC indicated that sixty customers were currently on the waiting list.[1]

American Solar currently has four customers under contract in SSVEC territory that have not yet reserved incentive funds for 2009. SSVEC has confirmed that these customers will be placed on their waiting list but the timing of moving these projects forward is completely out of American Solar's (or the customers') hands at this time.

American Solar believes that prior notification from SSVEC of the current funding situation would have been appropriate and would have provided SSVEC's customers with information

[1] A log of this correspondence is available at the request of the Commission.

critical to planning the purchase of a PV system. SSVEC's decision to forego advanced notice of the looming change to their 2009 SunWatts Program creates customer angst and dissatisfaction with their REST program, reverses progress made in the local market, establishes business planning complexities for all companies servicing the market, and likely hinders SSVEC's ability to meet future year REST requirements through diminished contractor and customer support.

Administration of the SunWatts Program in SSVEC Territory

American Solar recommends that the SSVEC reservation process be amended to conform to APS's process. American Solar believes that APS's reservation process represents the utilities' best practices in Arizona.

We would thus like to bring to the Commission's attention the relevant aspects of APS's reservation process: The first step of the APS process requires that the customer and installer submit an incentive reservation request. APS allows all paperwork to be submitted for approval electronically via email. At this time, APS allows the customer to assign payment of the incentives to the installer. Once funds have been reserved, APS sends a written confirmation letter to the customer which allows them to move ahead with the project with a guarantee that incentive funds will be available. APS makes this information known to installers via a weekly report submitted via email. At this time, the installer submits an Interconnect Application to APS—this is a technical description of the project and includes PV system schematics. Once the project has been built and the Authority Having Jurisdiction (AHJ) provides proof of clearance (approval), APS sends a written notice with a schedule for commissioning of the project. The commissioning of the project is especially important to American Solar's customers because it represents the moment at which the solar system becomes operational.

In contrast to APS, SSVEC does not allow any paperwork to be submitted electronically; it does not allow customers to assign payment to the installer; and it does not provide a written notification that incentives have been reserved or that a commissioning has been scheduled.

REST Compliance

The REST has a specific section (R14-2-1814) which allows electric power cooperatives to file an "appropriate plan" for acquiring RECs which, if approved by the Commission, may substitute for the requirements of the REST in R-14-2-1804 and R14-2-1805. SSVEC cites this provision as the basis for its proposed 2010 Plan. The 2010 Plan accordingly provides no analysis of how the proposed budget will help it achieve compliance with the REST.

The focus of SSVEC's 2010 Implementation Plan appears to be on the ability to pay out incentives, rather than on offering a level of incentives that will help the cooperative achieve compliance. In its 10 September announcement (See Appendix 1), SSVEC posted on its website that the SunWatts Program "had reached its mandated spending limits". American Solar believes it would have been more appropriate for SSVEC to announce that it had reached its mandated DG requirement, rather than its "mandated spending limit."

The Commission does not mandate spending limits. Rather, it mandates compliance with the

REST. Therefore, American Solar would have liked to have seen an announcement that read the SunWatts Program "has reached its mandated DG requirement."

American Solar points out that an "appropriate plan" is defined as:

> "a plan which provides either compliance with R14-2-1804 and R14-2-1805, or the following: (1) a full cost-benefit analysis of any proposed deviations from these rules; (2) a comprehensive analysis of why compliance with these rules is impracticable; (3) a report showing the environmental effects of allowing the proposed deviations from these rules; and (4) a summary of all efforts made to comply with these rules, and why those efforts have not been successful."

The proposed 2010 Implementation Plan does not meet the definition of an appropriate plan because it does not even discuss the issue of compliance with the RES. The electric power cooperatives are also exempt from quarterly compliance reporting. SSVEC is requesting in its proposed 2010 Implementation Plan to delay its reporting from February 15 to March 1. SSVEC gives no justification for this proposed delay. American Solar recommends that the Commission require SSVEC to report on a quarterly basis and use APS's current reporting mechanism as a model (see Appendix 2).

Proposed Net Metering Rules

The SSVEC 2010 REST Implementation Plan (2010 Plan) includes a proposal for a Net Metering Tariff Schedule NM (Net Metering Program) that, if approved by the Commission, would become active in 2010. This proposal is in accordance with Commission Decision 70194 which requires Affected Utilities to "...engage in Net Metering operation" (R14-2-2301).

American Solar believes the proposed Net Metering Program is critically flawed. It requires residential customers who participate in the program to pay a "residential monthly service availability charge" (Monthly Service Availability Charge) of $23.31. This Monthly Service Availability Charge eliminates benefits associated with net metering and would, in fact, be more economically disadvantageous to the residential PV owner than having no net metering program at all (See below). If the proposed Net Metering Program is approved by the Commission, American Solar would advise its customers in SSVEC service territory not to participate in the program and will size systems such that they rarely, if ever, produce more energy at any given time than the home is consuming. This scenario, if modeled across all SSVEC customers installing PV systems, could limit SSVEC's ability to meet future-year REST requirements.

The proposed Monthly Service Availability Charge is problematic for the following reasons.

1. It negates the benefits of net metering and partially negates the benefits of installing solar in general. Cumulatively, the Monthly Service Availability Charge of $23.31 would amount to $279 per year. In comparison, one of American Solar's smallest PV systems has a capacity of 2.34 kW and produces energy worth around $553 per year at current utility rates. Under the proposed Net Metering Program, the benefits of owning a solar system in SSVEC territory would be cut by more than half.

2. The proposed Net Metering Program thus does not comply with section R14-2-2305 A of Commission Decision 70194:

   "Any proposed charge that would increase a Net Metering Customer's costs beyond those of other customers in the same rate class shall be filed by the Electric Utility with the Commission for consideration. The filings shall be supported with cost of service studies and benefit/cost analyses. The Electric Utility shall have the burden of proof on any new proposed charge."

   The proposed Monthly Service Availability Charge would "increase a net metering customer's costs beyond those of other customers in the same rate class." Yet the 2010 Plan does not support this charge with an analysis of the costs and benefits of net metering and distributed generation. It is clear that the burden of proof has not been met. The 2008 Cost of Service Study that is referenced in the proposed 2010 Plan makes no specific mention of distributed generation and also does not discuss the substantial benefits to the grid that net metering creates by supporting deployment of distributed generation.

   These benefits are substantial and can more than offset losses from "fixed charges that are normally recovered in the kWh sales." The 2008 study commissioned by Arizona Public Service and performed by R.W. Beck Distributed Renewable Energy Operating Impacts and Valuation Study identifies substantial benefits to the utility grid as a result of strategic distributed generation deployment. It should be noted that, in a broad sense, the Commission has already decided that the benefits of distributed generation outweigh the costs—that is why the Commission wisely adopted the REST in the first place and included specific distributed generation requirements.

3. The proposed net metering schedule does not comply with section R14-2-2305 B of Commission decision 70194: "Net Metering costs shall be assessed on a nondiscriminatory basis with respect to other customers with similar load characteristics".

   This section indicates that the utility may not assess any charges to a net metering customer that are not assessed to all customers with similar load characteristics, even those that do not participate in the program. Accordingly, any charges associated with net metering need to be spread across the entire customer class.

4. The SSVEC claim that net metering allows customers to become "Net Zero" is misleading. In APS, TEP and SRP service territories, customers with PV systems "net meter" or "spin their meter backwards" whenever they are producing more energy than the home needs. This does not mean that they will produce more than the home uses over the course of a billing cycle. Because utilities typically buy back excess generation at the avoided cost rate, most solar systems are specifically designed *not to "Net Zero."* It is rare for a system to produce more than 100% of the customer's load in a billing cycle.

5. Even if a customer does "Net Zero", the argument that they should be charged an additional Monthly Service Availability Charge of $23.31 does not follow. All customers participating in the Net Metering Program would still be connected to the grid. Thus they would continue to pay for power drawn from the grid. Additionally, they would pay all other fixed monthly charges including the environmental surcharge and other administrative fees. By adding a new Monthly Service Charge, the proposed Net Metering Program asks the net-metered customer to pay for the cost of service twice.

In the absence of an additional Monthly Service Availability Charge, American Solar supports SSVEC's efforts to implement a Net Metering Program. It should be noted the principal benefit of net metering is that it allows the customer to offset over 70% to 80% of their annual usage. Without net metering, the customer cannot install solar systems that offset more than 20% or 30% of their annual usage. There will be times when the AC is off or no one is home, and the system is producing more than the customer needs. Without net metering, the customer will receive no benefit from this production. Net metering allows customers to have a reasonably-sized solar system and to get the full value for the energy it produces.

Recommendations

In summary, American Solar Electric offers the following recommendations:

1) Within 5 business days of receipt of a reservation request, SSVEC should provide the installer and customer with a confirmation notice that funds are reserved.

2) Within 5 business days of receipt of AHJ clearance, SSVEC should provide the installer and customer a written notice with a schedule for system commissioning and meter swap.

3) SSVEC should allow the customer to assign the incentive payment to a third party.

4) SSVEC should allow customers and installer to submit paperwork electronically via email.

5) SSVEC should publish a quarterly REST Compliance Report modeled on the APS report in Appendix 1.

6) SSVEC proposed Net Metering Program should be amended so that no additional Monthly Service Availability Charge is assessed for customers participating in the Net Metering Program.

American Solar's prior requests for SSVEC to rectify these problems have failed to spur changes

to the program. Therefore, American Solar believes that Commission action in this matter is necessary and justified.

Respectfully,

Sean M. Seitz
President
American Solar Electric, Inc.

Appendix 1

For Website on REST Program.

Please contact SSVEC prior to starting any renewable projects as the SunWatts rebate program has reached its mandated spending limits.

SSVEC collects a Renewable Energy Surcharge from each of its customers based on their kWh usage and with a maximum amount collected based on your rate class. These funds are collected on a monthly basis and are used to fund the SunWatts program. Operations expense include rebates, pay for the PV for schools program, the SunWatts loan program, and other program costs. The SunWatts program is reviewed and approved by the ACC each year.

SunWatts has had a great increase in participation this year that has depleted the rebate budget. To meet this increase in requests for rebates SSVEC has submitted its 2010 REST plan with the ACC to modify the collection rate to meet the demands placed on the program.

Because of the increased interest in renewables, the REST budget for rebates has reached a point where we have to limit the number of rebates we can pay to a first come first serve basis. To facilitate this process SSVEC is going to follow the example of the other utilities and implement a "reservation" system to keep track of renewable projects and allow the customers to "know" they have the rebate "reserved" if they are investing in renewables and have completed the project.

Here is how it is going to work. If you want to pursue a renewable project you must request a "Rebate Reservation" form. In this form you let us know which technology and size you are planning and we will "reserve" your rebate for a period of 4 months from the date you sign the form. This rebate will be held in "reserve" and will be paid when you complete the project and the system has been inspected and approved by SSVEC. If you don't complete the project within the reserve period, the reserved funds are returned to the rebate fund and your rebate may be delayed if there are insufficient funds in the "non-reserved" rebate fund to pay your rebate.

We feel that this new process will give our members a more secure position when working with the renewable energy contractors when they are choosing their system.

Appendix 2

2009 APS Renewable Energy Incentive Program Quarterly Update -- as of 6/30/2009

DE Renewable Customer Installations - Count by Year

Technology	2002	2003	2004	2005	2006	2007	2008	2009 YTD	Total
Residential									
Grid-Tied PV	2	9	41	59	175	220	354	552	1,412
Off-Grid PV	21	55	87	88	87	48	51	15	442
Solar Water Heating	0	5	93	81	214	257	407	551	1,608
Solar Space Heating	0	0	0	0	0	0	0	2	2
Solar HVAC	0	0	0	0	0	0	0	1	1
Grid-Tied Wind	0	0	0	0	0	0	0	7	7
Off-Grid Wind	0	0	0	0	0	0	0	1	1
Geothermal	0	0	0	0	0	0	0	1	1
Total Residential Systems Installed	23	69	201	228	476	525	812	1,130	3,474
Non-Residential									
Grid-Tied PV	2	1	1	14	9	12	18	38	95
Off-Grid PV	0	2	1	0	4	2	1	1	11
Solar Water Heating	0	0	0	0	0	0	0	8	8
Solar Process/Space Heating	0	0	0	0	2	0	0	4	6
Solar Process/Space Cooling	0	0	0	0	0	0	0	1	1
Solar Pool Heating	0	0	0	0	0	0	0	1	1
Solar Daylighting	0	0	0	0	0	0	0	0	0
Grid-Tied Wind	0	0	0	0	0	0	1	3	4
Off-Grid Wind	0	0	0	0	0	0	0	0	0
Geothermal	0	0	0	0	0	0	0	0	0
Biogas/Biomass	0	0	0	0	0	0	0	0	0
Total Non-Residential Systems Installed	2	3	2	14	15	14	20	56	126
Total Customer Systems Installed	25	72	203	252	491	539	832	1,186	3,600

DE Electric Generation Installations - kW By Year

Technology	2002	2003	2004	2005	2006	2007	2008	2009 YTD	Total
Residential									
Residential Grid-Tied PV	4.92	55.19	153.14	236.57	798.55	1,083.75	2,012.10	3,072.77	7,416.99
Residential Grid-Tied Wind	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.80	16.80
Residential Off-Grid PV	23.23	70.44	111.65	138.66	162.79	93.49	98.06	35.12	733.44
Residential Off-Grid Wind	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.80	0.80
All Residential	28.15	125.64	264.78	375.23	961.33	1,177.23	2,110.16	3,125.50	8,168.13
Non-Residential									
Non-Residential Grid-Tied PV	3.96	2.34	25.29	162.50	258.49	558.59	2,441.07	994.35	4,446.58
Non-Residential Grid-Tied Wind	0.00	0.00	0.00	0.00	0.00	0.00	1.60	10.80	12.80
Non-Residential Grid-Tied Biogas/Biomass	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-Residential Off-Grid PV	0.00	10.89	7.58	0.00	26.62	7.64	3.96	0.24	56.94
Non-Residential Off-Grid Wind	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-Residential Off-Grid Biogas/Biomass	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
All Non-Residential	3.96	13.23	32.88	162.50	285.11	566.23	2,446.63	1,005.39	4,516.12
All Grid-Tied	8.88	57.53	178.42	399.07	1,057.04	1,642.34	4,454.97	4,094.73	11,892.97
All Off-Grid	23.23	81.34	119.23	138.66	189.41	101.13	102.02	36.26	791.27
Total kW Installed	32.11	138.87	297.65	537.73	1,246.44	1,743.47	4,556.99	4,130.99	12,684.24

DE Thermal Installations - kWhs Offset By Year

Technology	2002	2003	2004	2005	2006	2007	2008	2009 YTD	Total
Residential									
Solar Water Heating	0	12,900	220,700	185,500	535,800	689,500	1,112,300	1,480,123	4,236,823
Solar Space Heating	0	0	0	0	0	0	0	11,122	11,122
Solar HVAC	0	0	0	0	0	0	0	1,800	1,800
Geothermal	0	0	0	0	0	0	0	60,752	60,752
Total Residential Thermal kWhs Offset	0	12,900	220,700	185,500	535,800	689,500	1,112,300	1,553,797	4,310,497
Non-Residential									
Solar Water Heating	0	0	0	0	0	0	0	952,641	952,641
Solar Pool Heating	0	0	0	0	0	0	0	1,696,800	1,696,800
Solar Process/Space Heating	0	0	0	0	242,894	0	0	203,283	446,177
Solar Process/Space Cooling	0	0	0	0	0	0	0	396,442	396,442
Geothermal	0	0	0	0	0	0	0	0	0
Biogas/Biomass	0	0	0	0	0	0	0	0	0
Total Non-Residential Thermal kWhs Offset	0	0	0	0	242,894	0	0	3,249,166	3,492,060
Total Thermal kWhs Offset	0	12,900	220,700	185,500	778,694	689,500	1,112,300	4,802,963	7,802,557

2009 DE Compliance Tracking

Type	Systems Installed	Applications Reserved	Percent of Compliance Target
Residential kWhs	6,565,000	6,061,000	38.70%
Non-Residential kWhs	4,765,000	24,133,000	75.69%
Total kWhs	11,330,000	30,194,000	58.65%

2009 DE Incentive Budget

Type	Budget	Reserved & Paid	Available
Residential UFIs	$49,300,000	$11,416,716	$37,883,284
Non-Residential UFIs	$1,300,000	$1,210,091	$89,909
PBI Lifetime Commitment Cap	$77,000,000	$64,744,943	$12,255,057